

From: Wayne Hedberg
To: Minerals
Date: Fri, Feb 4, 2000 12:00 PM
Subject: Update on Hecla Mining Company - Escalante Mine (M/021/004)

On February 4, 2000, I returned a phone call to Dave Suhr of Hecla Mining Company. He originally called me inquiring about any updates in our position or actions with approval of the post-mining land use change (and surety reduction request) for that portion of the mine and milling complex they sold to Dixie Cable Company. Their surety bond premiums are coming up for renewal sometime in February and they would like to have that respective portion of the surety released beforehand.

I advised Mr. Suhr of the recent findings and meetings we have had with management and counsel on this matter. I told him that things have gotten a little more complicated since we last talked last December. I informed him that our file review indicated that there was a hole in the administrative record over how a 20-acre parcel of mine property was sold and transferred to Reliant Testing Company back in the 1980's. We have no formal record of Hecla filing a permit amendment requesting a change in the post-mine land use for the parcel sold to Reliant, or a request for release from their reclamation liability (and bond) for same. We also could find no DOGM's approval of this property transfer and any subsequent change in ownership and reclamation responsibility. Therefore, by the current Division permit and reclamation contract, Hecla may still retain this reclamation responsibility, regardless of present ownership (by Dixie Cable?).

I asked Mr. Suhr if they were planning on responding to our earlier (Sept. 21, 1999) letter which identified 3 remaining issues that needed to be resolved before we could consider final approval of the recent postmining land-use proposal and release of bond. He said he had initially started a draft response but further discussion with his management, they weren't sure that they could provide the information we asked for to adequately address our remaining concerns. He suggested we may need to contact Dixie Cable to obtain some of the information. He indicated he may also try and reach Mr. Carl Hartman of Dixie Cable for an update on the progress of the clean up of the mill site area.

Mr. Suhr stated he has tried to contact Angela Williams of the BLM unsuccessfully several times regarding the resolution of the land ownership question. She apparently has not returned his calls. I told him that Lynn Kunzler had also been trying to reach her as well (without much success). I also asked Dave about what they had found out from Dixie Cable regarding the status of the remedial clean up activities at the mill site. He said that his boss, Larry Drew had informed him that an independent auditor (for a banking institution that lends money to Hecla) advised Mr. Drew that they had contacted someone at the Utah DEQ who stated that all the remedial clean up work had be satisfactorily completed. Dave wasn't sure who the auditor talked with at DEQ, but he would try and find out. I advised him I would try and do the same from my end. Dave said that they have no confirmation from Dixie Cable of same.

I told Dave that we were presently trying to piece together a consolidated reclamation plan for the Escalante Mine by going back over all of the records back to the original permit submission. That way we will have an up to date understanding as to exactly what was approved by the Division, what reclamation remains outstanding, and who is responsible for same. I said we would like to compare this package with Hecla's records once we complete this action. We would then probably want to perform a site inspection against the reclamation plan and determine what areas and facilities remain to be addressed. A meeting could subsequently follow with all involved parties to determine a best course of action to resolve the remaining reclamation liabilities. I suggested that a permit transfer and posting of a replacement reclamation surety by Dixie Cable might be an option we could consider for those parcels sold to Dixie by Hecla.

I asked Dave to discuss these findings with his management, and to let me know what course of action they would like to pursue. He agreed to do same. I told him that my staff was hoping to have a first draft of the consolidated reclamation plan information assembled by next week.

A COPY OF THIS MEMORANDUM WILL BE PLACED IN THE ESCALANTE SILVER MINE FILE

RECORDS M/021/004.

cc: Mary Ann
Tom Mitchell